

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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TO: Salem Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 21, 2016

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY17 (since the amount under the prior schedule was maintained in FY17) and is acceptable under Chapter 32.

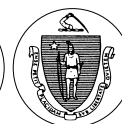
The schedule reflects a reduction in the investment return assumption from 7.75% to 7.50%.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

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SECTION 2: Valuation Results for the City of Salem Contributory Retirement System

CHART 16
Funding Schedule

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of ERI Liability	(4) Amortization of Remaining Unfunded Liability	(5) Total Plan Cost: (2) + (3) + (4)	(6) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(7) Total Plan Cost % Increase
2017	\$2,621,983	\$262,825	\$9,642,922	\$12,527,730	\$130,336,425	4.40%
2018	2,724,235	273,780	10,174,893	13,172,908	129,462,979	5.15%
2019	2,830,449	285,228	10,735,635	13,851,313	127,940,378	5.15%
2020	2,940,778	297,191	11,326,687	14,564,655	125,688,478	5.15%
2021	3,055,379	309,692	11,949,664	15,314,735	122,619,446	5.15%
2022	3,174,418	322,754	12,606,272	16,103,444	118,637,098	5.15%
2023	3,298,067	317,033	13,317,671	16,932,771	113,636,177	5.15%
2024	3,426,501	331,300	14,047,008	17,804,809	107,501,584	5.15%
2025	3,559,906	346,209	14,815,642	18,721,757	100,107,522	5.15%
2026	3,698,472	361,789	15,625,666	19,685,927	91,316,597	5.15%
2027	3,842,400	378,069	16,479,284	20,699,753	80,978,827	5.15%
2028	3,991,893	395,082	17,378,815	21,765,790	68,930,585	5.15%
2029	4,147,168	412,861	18,326,699	22,886,728	54,993,440	5.15%
2030	4,308,446	431,439	19,325,510	24,065,395	38,972,922	5.15%
2031	4,475,958	450,879	20,206,291	25,133,128	20,657,170	4.44%
2032	4,649,944	0	0	4,649,944	0	-81.50%

Notes: Fiscal 2017 contribution set at budgeted amount.

Recommended contributions are assumed to be paid July 1.

Item (2) reflects 3.5% growth in payroll as well as a 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to generational mortality assumption.

Projected normal cost does not reflect the future impact of pension reform for future hires.

Item (3) reflects level dollar amortization of 2010 ERI through fiscal 2022 and increasing (4.50% per year) amortization of 2002 and 2003 ERI through fiscal 2031.

Item (4) increases 4.50% per year.

Projected unfunded actuarial accrued liability does not reflect deferred investment losses.